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Enhancing the Competitiveness of Four African Economies: Botswana, Mauritius, Namibia, and Tunisia

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Background

The competitiveness of most African countries lags behind other regions. This constrains their ability to cope with external shocks. Indeed, the challenge of the continent has been exacerbated by the 2007-2009 global financial and economic crisis. This leaves a clear role for the Bank to assist Africa in addressing these challenges and to sustain the growth momentum through policy support and capacity building. Given the critical role that knowledge plays in promoting dynamic and sustained economic growth, the study aims to promote knowledge generation and dissemination as part of the process of enriching policy formation and implementation.

Objectives and Implementation Arrangements

The study analyses recent economic performance and competitiveness in the economies of Botswana, Mauritius, Namibia, and Tunisia, as well as the main issues and challenges that are impacting competitiveness of these economies. It seeks to provide a better understanding of key determinants of economic growth and prosperity that help assess whether these countries will continue on a sustained growth path, or even accelerate the growth experienced in the last decade.

The study was concluded in early 2009. Its findings have been disseminated through a Study Report, a chapter in the

2009 ACR, press briefs and a conference paper. The ACR was launched at the World Economic Forum (WEF) summit for Africa in Cape Town, June 2009, and subsequently presented to Bank staff in Tunis and to World Bank staff in Washington, DC. The study provides a platform for dialogue between business, government, donors, and civil society in exploring ways to overcome constraints to increased competitiveness. It highlights best practices that can be emulated by other African countries.

Findings

The study shows that there are three key determinants of competitiveness, namely good governance, transparency in public institutions, and political feasibility of reforms. The main challenges facing these countries are recovery from the global economic crisis, quality of their human capital and diversification of their economies.

Good governance and strong and visionary leadership through formal institutions and informal rules greatly contributed to the success of the four countries. Social consensus was promoted and strengthened over time. For example, political contestability and effective institutions governing private property have always existed in Botswana. These institutions protected the property rights of investors, and provided political stability. Mauritius and Namibia share strong and transparent public institutions, as well as independence of the judiciary, though not at the same level or in the same form as in the three other countries. Tunisia's institutions are some of its major competitive advantages. They are fairly transparent and stable.

Public governance has also played an important role. The four countries benefited from good governance compared to most other African countries. This is particularly true in the areas of security, political and economic stability, and corruption. Important public goods (competent and honest bureaucracy, public safety, law and order, health and sanitary standards) are aptly provided in the four countries. Infrastructure is fairly good, although more has to be done at this level to enhance competitiveness. Botswana ranks highly worldwide in the efficiency of government spending. It has succeeded to manage its development based on natural resources, while many other African countries got trapped into the so-called "resource curse". In Namibia, the long run dynamic growth was supported by prudent and efficient fiscal policy that help maintain a budget surplus and minimise external borrowing. Tunisia also managed its public spending efficiently.

These four countries have paid strong attention to the political feasibility of reforms. Political leaders were concerned by both the preservation of the social consensus and the promotion of economic reforms. Accordingly, the transformation of these economies started with a preference given to marginal changes. The speed of the liberalisation adopted in these countries was that of "gradualism" instead of "shock therapy". This strategy worked because of the quality of institutions, and both the ability and credibility of governments to commit over the long run.

highly correlated with the global economic situation (diamond). There is a critical role for export diversification in reinforcing resilience to external shocks for these countries to enhance their competitiveness in the long run. Stiffer international competition calls for these countries to improve their business environment and to deepen policy reforms.

Like others, these countries have been affected by the 2007-2009 global economic crisis. Their growth outlook has deteriorated and their macroeconomic balances worsened. The crisis has underscored the relative vulnerability of the four small open economies, which are highly reliant on a few key products that either face acute competition on world markets (e.g. textile) or whose prices are

Policy Implications

All the same, there is need for these countries to increase the quality of their human resources to further their competitiveness. Given their current development and the global economic environment, human capital will be a key condition for these countries to enhance firm productivity, upgrade technologies, and develop high-value-added services. In this respect, higher education and training should address labour market needs. All the four countries would gain in having greater flexibility in the labour market. However, such flexibility needs to preserve the social compact that prevented them from experiencing violence, crime, and corruption.

The four countries should also address the diversification of their economies. This would require new efforts to develop the productive base in the context of a global economic slowdown and acute competition from other emerging economies. There is need to improve their competitiveness by a combination of strategies at national and regional levels, notably: increasing investments in infrastructure to promote regional trade and integration; improving the employability of the labour factor by raising the quality of training, matching training supply to needs, deregulating the labour market without endangering social stability; and facilitate access to bank financing.

The work on competitiveness is a collaborative venture by the African Development Bank, the World Bank and the World Economic Forum.

Comments and suggestions can be sent to:

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